Historic, archived document

Do not assume content reflects current scientific knowledge, policies, or practices.

A281.39
M34Am
cop. 2

LIBRARY
MAY 24 1956
U. S. DEPARTMENT OF AGRICULTURE

Marketing Margins for Turkeys

Farm-to-Retail Spreads

Average farm-to-retail price spreads, or marketing margins, on ready-to-cook turkeys ranged from 9.2 cents to 13.7 cents per pound for those sold through chain stores and from 15.9 cents to 20.4 cents per pound for those sold through independent retail food stores in the Washington, D. C., metropolitan area during the Thanksgiving and Christmas holidays of 1954 (table 15). Chain retailers generally appear to have followed a policy of pricing to yield low or even zero gross margins during the holidays of 1954 but, as table 16 shows, their margins during the first 10 months of that year were sharply higher, averaging from 4 to 6 cents per pound.

Table 15.- Average marketing margins per pound (retail weight) on ready-to-cook turkeys retailed in Washington, D. C., metropolitan area, Thanksgiving and Christmas holidays, 1954

Type of retail store and marketing function	Production areas		
	Maryland-Virginia	Minnesota	California
	Cents	Cents	Cents
Chain stores:			
Processing	6.5	6.1	7.9
Shipping	.8	1.9	3.9
Retailing-wholesaling	1.9	1.9	1.9
Total farm-retail margin	9.2	9.9	13.7
Independent stores:			
Processing	6.5	6.1	7.9
Shipping	.8	1.9	3.9
Wholesaling	2.2	2.2	2.2
Retailing	6.4	6.4	6.4
Total farm-retail margin	15.9	16.6	20.4

The highest farm-to-retail margins were on the turkeys produced and processed in California; the lowest on turkeys originating in nearby Maryland and Virginia. Differences in margins between the producing areas included in this study may be attributed largely to (1) higher costs of transportation and (2) higher operating margins of the California plants that shipped turkeys to Washington, D. C.

Gross Margins of Retailers

Retail margins on ready-to-cook turkeys sold during the holidays through the chains ranged from 0 to 4 cents per pound and averaged 1.9 cents (tables 15 and 16). Gross margins of the independents ranged from 5 to 11 cents per pound and averaged 6.4 cents (tables 15 and 17). In general, the highest margins were on the small sizes of turkeys and the lowest margins were on the large birds.

Prepared by Earl H. Rinear, Agricultural Economist, Agr. Market. Serv., U. S. Dept. Agr.

Table 16.- Average cost to retailer and retail price per pound of ready-to-cook turkeys sold in stores of leading chain-store companies, Washington, D. C., metropolitan area, January-October, November, and December, 1954 1/

Size of bird	January-October average		November		December	
	Cost to retailer	Retail price	Cost to retailer	Retail price	Cost to retailer	Retail price
	Cents	Cents	Cents	Cents	Cents	Cents
Under 8.0 pounds	51	56	53	56	53	57
8.0 - 11.9	53	59	49	51	51	52
12.0 - 15.9	52	57	49	51	52	52
16.0 and over ...	49	53	41	42	41	42

1/ Data are for both fresh and frozen turkeys. The majority of the turkeys sold during the first 10 months of the year were "fresh killed," but during the Thanksgiving and Christmas holidays the majority were frozen.

Table 17.- Average cost to retailer and retail price per pound of turkeys sold by independent retailers in Washington, D. C., metropolitan area, during Thanksgiving and Christmas weeks, 1954 1/

Size of bird	Thanksgiving week		Christmas week	
	Cost to retailer	Retail price	Cost to retailer	Retail price
	Cents	Cents	Cents	Cents
Ready-to-cook				
Under 8.0 pounds	54	62	54	65
8.0 - 11.9	54	61	56	63
12.0 - 15.9	52	59	49	59
16.0 and over ...	45	50	48	55
New York dressed				
Under 8.0 pounds	46	55	45	53
8.0 - 11.9	47	54	45	55
12.0 - 15.9	47	54	46	55
16.0 and over ...	40	44	38	47

1/ Data are for both fresh and frozen turkeys.

Independent retailers' margins on New York dressed turkeys during the holiday months were about the same in cents per pound as those on ready-to-cook turkeys. Consequently, they were substantially higher in percentage terms than those on ready-to-cook turkeys because of the lower average retail prices of New York dressed turkeys. Less than 20 percent of the turkeys sold by independent retailers were New York dressed birds. No margins data on New York dressed turkeys were obtained from large chain retailers because they now handle only ready-to-cook birds.

Independent retailers usually purchase turkeys from local wholesalers or jobbers whereas chain stores perform the wholesaling services for themselves. This difference in marketing practices may explain part of the difference in total farm-to-retail price spreads on turkeys between the two types of outlets.

Distribution of Sales by Size of Bird and Season

Turkeys weighing from 4 to 8 pounds (ready-to-cook) were the best sellers in chain stores during the first 10 months of 1954 (table 18). Sales of small turkeys (under 8 pounds per bird) ranged from a low of 70 percent of total turkey sales in February to a high of 96 percent in June. In contrast, during the holiday months of November and December, sales of small turkeys averaged about 30 percent of total sales. Birds weighing from 8 to 12 pounds accounted for 33 percent, birds from 12 to 16 pounds for about 13 percent, and birds 16 pounds and over for about 24 percent of total sales.

Table 18.- Distribution of sales of ready-to-cook turkeys by size of bird, four large chain retail food store companies, Washington, D. C., January-October, November, and December, 1954

Size of bird	January-October	November	December
	Percent	Percent	Percent
Under 8.0 pounds	84.3	32.7	28.0
8.0 - 11.9	10.0	32.7	33.0
12.0 - 15.9	4.1	12.0	14.0
16.0 and over	1.6	22.6	25.0
	100.0	100.0	100.0

The distribution according to size of the ready-to-cook turkeys sold by the independents during Thanksgiving and Christmas weeks varied as follows: Those weighing under 8 pounds, about 11 percent; from 8 to 12 pounds, 55 percent; from 12 to 20 pounds, 24 percent; and those weighing over 20 pounds accounted for 10 percent of the holiday sales. Eighty-one percent of the turkeys sold by independent retailers were ready-to-cook and 19 percent were New York dressed.

One chain store organization provided data showing the distribution of its total sales of turkeys by months during the year (table 19). The effect of organized efforts to promote sales of turkeys may be reflected in the large volume of sales in July compared with that in other summer months. It appears that the sharp increase in sales in July was associated with the nationwide promotional programs for "Turkey Week."

Table 19.- Distribution of total pounds of turkeys sold by one chain-store company, by months, Washington, D. C., metropolitan area, 1954

Month	Percentage of annual sales	Month	Percentage of annual sales
	Percent		Percent
Jan.	2.1	July	12.5
Feb.	2.3	Aug.	.9
Mar.	2.4	Sept.	1.9
Apr.	5.4	Oct.	4.8
May	4.6	Nov.	32.5
June	2.4	Dec.	28.2

Reprinted from
The Marketing and Transportation Situation,
April 1956

U. S. DEPARTMENT OF AGRICULTURE
Agricultural Marketing Service
Washington, D. C.